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Long Term Strategic Policies for Global
Competition.
Comments

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Comments on Charles Sabel “Long Term Strategic Policies for Global Competition”

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LAEBA 2005

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Insights, Methodologies, Clues/suggestions

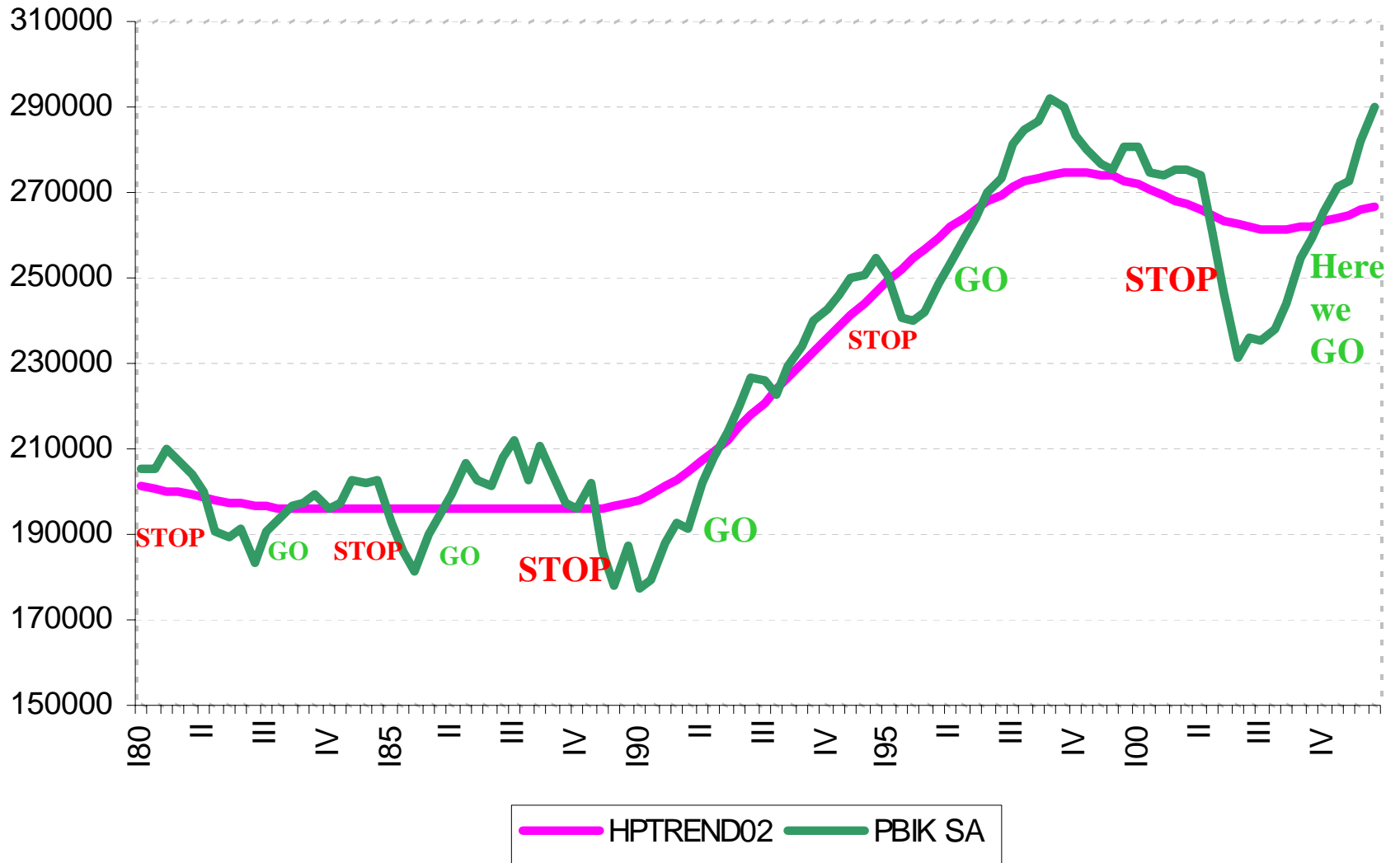
- New stylized facts of economic development
 - Consensus/endowments/institutions-wide view do not fit into real word examples.
 - Process/differentiated/context-dependant do fit well !!
- Developing economies as Toyoda production systems
 - Trouble shooting/problem solving as institutions' build-up
- Clues to guide a search for suitable development policy
 - Omnibus/Blueprint reform approach is wrong
 - Heterodox (partial/selective/contextual) approach
 - Search for understanding of process rather than for precise “foundations” of growth
 - New public services to provide critical quasi-public inputs to heterogeneous groups

Comments

- New stylized facts: Welcome but,
 - On the interpretation of “islands stories” in otherwise uncoordinated economies.
 - Growth accelerations may be growth “accidents” if certain stable conditions are not guaranteed.
 - Example in Argentina: the 60’s. vs. the 90’s
 - Some evidence that fiscal/monetary stability is relevant (Mody and Schindler, 2005)
- Developing economies as Toyoda
 - The firm is a different kind of “sub-economy” (Holmstron, 1999)
- Clues to guides on development policy
 - Risk of interpreting views as orthogonal. Meaning of “heterodox”
 - Neither Omnibus/Blueprint/W. Consensus reform approach nor “Anti-Orthodox” (seemingly heterodox) seem to be good guide.
 - But both have elements that need to be present.
 - Cannot imagine new public services without public sector reform, beyond “islands/bubbles” stories that will be easy to find.

Argentina's Stop & Go GDP and Trend 1980-2004

at constant prices of 1993



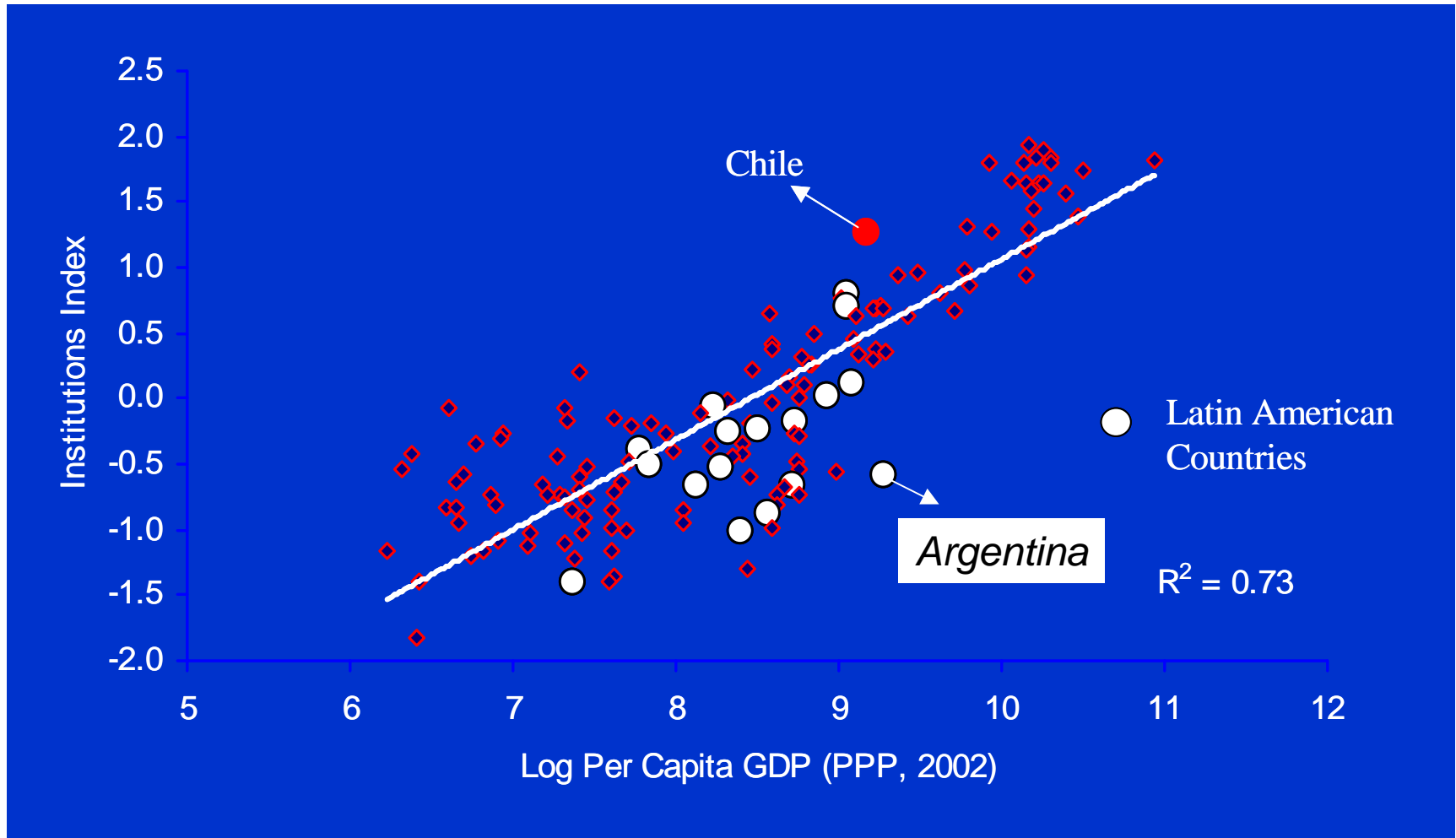
Have recoveries become sustainable growth?

At what trend do they converge 5 years later?

RECOVERIES VS. LONG-RUN GROWTH 1958-2003				
Minimum year	Cyclical Fase	Extension years	Annual rate bet. extremes	Trend rate 5 years later
1959	1959/1961	2	5.7%	3.0%
1963	1963/1974	11	5.0%	4.2%
1976	1976/1977	1	7.0%	1.0%
1978	1978/1980	2	4.7%	0.5%
1982	1982/1984	2	2.5%	0.4%
1985	1985/1987	2	4.7%	1.3%
1990	1990/1994	4	8.1%	3.0%
1995	1995/1998	3	5.5%	1.4%
2002	2002/	?	?	?

Institutional Quality and GDP (at PPP)

(152 countries)



General institutions matter as well

- Institutions as “common beliefs” and coordinating devices. (Aoki, 2005). Rules but in a loose sense.
- Help at decisions under uncertainty
- Beliefs to be in a stable environment with a stable underlying growth rate, for whatever (orthodox/heterodox) model.
- Argentina and the Japanese question: What Argentina is going to do and sell?
- Some underlying macro experiment where agents coordinate with a “little help” from public policies.
- Mistake to neglect macro-stability institutions
- Mistake to think that “blueprints” of macro reforms are sufficient conditions for growth. Most (at least 50%) are perhaps not even necessary.

References

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- Aoki M. (2005), “Schumpeterian Innovation of Institution”
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- Holmstrom B. (1999) “The Firm as a Sub-Economy”,
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- Mody A. And M. Schindler (2005), “Argentina’s Growth:
A Puzzle?”, mimeo, September, IMF.